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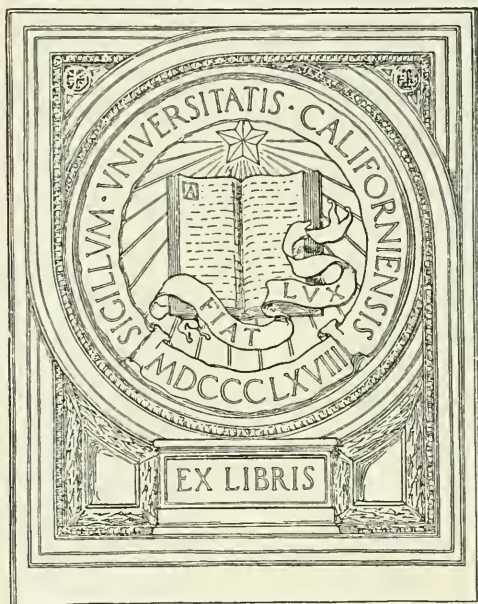
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having Arrangements under Section 17 of the
Unemployment Insurance Act, 1920.

SECOND INTERIM REPORT.

Possibility of introducing Combined Card for Health
and Unemployment Insurance Contributions in
July, 1922.

Presented to Parliament by Command of His Majesty.



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MINISTRY OF LABOUR.

INTERDEPARTMENTAL COMMITTEE ON HEALTH AND UNEMPLOYMENT INSURANCE.

Members of the Committee :

Sir ALFRED W. WATSON, K.C.B., *Chairman.*

Sir WALTER S. KINNEAR, K.B.E.

E. J. STROHMENGER, Esq., C.B.

S. P. VIVIAN, Esq.

} *Ministry of Health.*

Sir JAMES LEISHMAN, *Scottish Board of Health.*

Sir DAVID SHACKLETON, K.C.B.

T. W. PHILLIPS, Esq., C.B., C.B.E.

F. G. BOWERS, Esq., O.B.E.

J. F. G. PRICE, Esq.

} *Ministry of Labour.*

F. PHILLIPS, Esq., *Treasury.*

A. HENRY, Esq., *Government Actuary's Department.*

J. M. GLEN, *Ministry of Labour*

A. W. NEVILLE, *Ministry of Health* } *Joint Secretaries.*

The Committee was appointed on the 23rd day of January, 1922, with the following terms of reference :—

To consider the relations of Health Insurance and Unemployment Insurance and to investigate the possibility of reducing the total cost of administration by modifying the Unemployment Insurance Scheme and by amalgamating Unemployment and Health Insurance cards, records, and, as far as possible, administration

The cost of printing and publishing this Report is £6.

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INTERDEPARTMENTAL COMMITTEE ON HEALTH AND UNEMPLOYMENT INSURANCE.

FIRST INTERIM REPORT.

To the Rt. Hon. Sir ALFRED MOND, Bart., M.P.,
Minister of Health,
and

The Rt. Hon. T. J. MACNAMARA, LL.D., M.P.,
Minister of Labour.

GENTLEMEN,

1. On the 23rd January, 1922, you appointed us as a Committee to consider the relations of Health Insurance and Unemployment Insurance and to investigate the possibility of reducing the total cost of administration by modifying the Unemployment Insurance scheme and by amalgamating Unemployment and Health Insurance cards, records, and, as far as possible, administration.

2. In the First Interim Report of the Committee on National Expenditure the following paragraphs occur (page 147):—

“ Insurance benefits from the Fund are now paid in certain cases through the medium of Associations, such as Trade Unions. These payments are made under Section 17 of the Act of 1920, and the Unions receive one shilling for administration expenses for every week's benefit they pay out. Unfortunately, from a variety of causes, this procedure, instead of reducing the cost to the Taxpayer as originally anticipated, actually increases it, and the payments to the Unions for these services amounted to £500,000 in 1921-22.

“ Unless a more complete scheme whereby each industry would look after its own unemployed can be introduced in the near future, the present arrangement should be reviewed.”

and we understand that a Committee of the Cabinet which considered this Report recommended that the matter be referred to us.

In view of the heavy cost to the Exchequer entailed by the payment to Associations under Section 17 of the Unemployment Insurance Act, we have felt it necessary to take this question into early consideration, particularly in view of the fact that a decision upon it need not depend upon any other action that may be taken as the result of our survey of the subject remitted to us. We, therefore, present this Interim Report dealing solely with Section 17 of the Unemployment Insurance Act, 1920.

3. The Section provides facilities whereby the unemployment benefit of insured persons who are members of Associations may, under certain conditions, be paid to them by the Associations instead of by the Employment Exchanges. The Associations paying the benefit are, in fact, those Trade Unions and other societies which provide unemployment benefit out of their own funds. It is a condition of the Section that the benefits so paid out of voluntary funds shall be at least 5s. a week in the case of men and 4s. a week in the case of women, with proportionate amounts in the case of boys and girls. The other important conditions required by the Section are (i) that the Association must have a satisfactory system of ascertaining the wages and conditions prevailing in every employment within the meaning of the Act in which its members are engaged; and (ii) that the Association must have a satisfactory system of obtaining from employers notifications of vacancies and of giving notice thereof to its unemployed members.

4. In theory the payments made by the Associations to their members are not payments of unemployment benefit under the Acts, but are payments in lieu of such benefit, and are made under the rules of the Association and not under the rules of the Unemployment Fund. These latter rules only enter into the question of determining what repayment is due to the Association.

In actual practice, however, Associations pay their private benefits under their own rules and State benefit only as authorised by the Department.

5. The number of Associations at present working under the Section is 174, including a membership of approximately 2,237,000. The largest membership included since the operation of the 1920 Act was on 14th February, 1921, when arrangements existed with 183 Associations, including 4,108,000 persons, and arrangements with a number of other Associations were on the point of completion. The reduction of numbers and the failure to complete arrangements have mainly arisen from the difficulties with which Trade Unions have met in the continuance of their unemployment allowances under the present abnormal conditions.

6. The latest figures, relating to 31st January, 1922, show that in the week ending on that date the number of current claims for benefit through Associations was 241,233. Under the Section

an allowance is paid of a sum not exceeding 1s. for each week's benefit paid through the medium of an Association, and at the present time the maximum allowance is in force except for juveniles. After making allowance for cases where a full week's benefit is not paid, and for juveniles in respect of whom 6d. is paid, the total present payment to Associations approximates to £9,500 a week.

7. The present position is, in effect, that these payments to Associations constitute a direct charge on the Exchequer. The whole system of Unemployment Insurance is administered, in the first instance, at the cost of the Exchequer, an appropriation-in-aid being made from the Fund to the extent of 10 per cent. of the income of the Fund. So far as this appropriation-in-aid does not cover the administrative expenses—and hitherto it has not done so—the balance is provided by the Exchequer. The contributions paid by insured persons who draw their benefits through Associations are neither more, nor less, than the contributions paid by persons who draw their benefits direct. So long as the balance charged on the Exchequer is in excess of the amount of the payments to Associations, any alteration in those payments would affect the Exchequer alone, and would not alter the amount of the appropriation-in-aid.

8. We understand that if conditions do not materially improve a sum exceeding £400,000 is likely to be required on the present basis for payments to Associations during the financial year 1922-23.

9. As indicated above, the Associations do not pay benefit under their own rules to the equivalent of benefit under the State scheme, but pay, in addition to the benefit otherwise provided by their rules, the precise amount to which the insured person is entitled under that scheme. It is necessary for a member desiring to claim benefit to attend at an Employment Exchange to make a formal claim and to lodge his unemployment book; to this extent he has to go through precisely the same procedure as if his benefit were payable at the Exchange. Information as to the total number of days' benefit which he would be entitled to receive (subject to his continuing to satisfy the conditions) if he claimed direct is then sent by the Employment Exchange to the Secretary of the Association or Branch through which the claim is made. If the claim to benefit is disallowed, the Secretary is notified to that effect, the form setting out the reasons for disallowance; if a claim on which benefit has previously been allowed is subsequently disallowed the Secretary is similarly notified.

10. Further, the vacant books or unemployed registers of about 60 per cent. of the branches of Associations concerned are kept at Employment Exchanges, the insured person being in these cases required to attend at the Exchange to sign the book. At

such times as an official of the Associations is not present to supervise the signing of the book, this duty falls upon the staff of the Exchange. This system, apart from meeting the convenience of the Associations, enables a better control over expenditure to be secured, and was approved to this end by a Treasury Committee which sat in 1916.

In cases where an Association issues vacant tickets to its members as an alternative to the signing of the book, the insured person must attend at the Exchange to have the ticket endorsed as a proof that he is unemployed on the days in question. After endorsement, the tickets must be returned to the Association.

11. It will thus be seen that the payment of benefit through an Association does not entirely relieve the insured persons from attendance at an Exchange. Nor does it relieve the Exchanges of all the work incidental to claims. Moreover, as shown in paragraph 9 above, the system imposes upon the Exchanges certain duties which would not arise if the benefit were paid by them direct to the insured person.

12. We do not think it necessary to set out in further detail the administrative procedure which has been found necessary for financing the Associations and controlling the claims paid through them. We should, however, point out that in consequence of the depletion of the funds of Associations due to great and long continued unemployment, the Department has found it necessary to set up a system which provides for recoupment of the Associations at weekly intervals.

13. The administrative effect of the system is, therefore, that the Department is relieved of the work of paying benefit to members of Associations, but that other items of work connected with the arrangements counter-balance the saving that might be expected to result. For this reason the cost to the Department in present circumstances is, on the whole, not less than it would be if the members claimed their benefit direct at the Employment Exchanges. In addition, as explained in paragraph 6, the Exchequer pays to the Associations 1s. for every week's benefit paid out by them.

14. On the other hand, it has to be considered what advantages there are in the operation of these arrangements which might be held to justify a charge on the Exchequer or the Unemployment Fund. The following points arise:—

- (a) The arrangements, by enlisting the interest which the Associations have in the safeguarding of their own funds, assist the State machinery to secure that Unemployment Benefit is only paid in genuine cases where the worker is unemployed through no fault of his own and is unable to obtain suitable employment. This check is believed to be of great value in the proper administration of the Acts

It should, however, be borne in mind that the finding of work for its unemployed members is one of the essential purposes for which a Trade Union exists, and that this service would presumably continue to be rendered whether the arrangements under the Section were in operation or not.

- (b) The arrangements tend to foster voluntary effort and saving, for meeting the needs of workers during unemployment. They have undoubtedly encouraged and brought about the institution of Unemployment Benefit schemes by Associations which would not have paid benefit from their own fund but for the facilities given under the Section.

The information in the possession of the Ministry of Labour shows that some 46 Associations with a present membership of nearly $1\frac{1}{4}$ million members, commenced to pay Unemployment Benefit from their own funds as the result of the passing of the Acts of 1911 and 1920, under which these arrangements are authorised.

We are divided in opinion as to whether the encouragement of voluntary insurance against unemployment affords a sufficient justification for imposing a charge on public funds.

- (c) It is possible that in certain circumstances the existence of the arrangements might reduce the expenses of the Department, particularly in respect of hire of premises, but this factor is not substantially operative at present.

15. On balancing the advantages and disadvantages, we do not recommend that the system of payment of benefits through Associations should be discontinued. We recognise that if the system is continued the Associations must receive some payment for such additional administrative work as they are called upon to do. It should be borne in mind, however, that the present rate of payment was fixed in very different circumstances from those which now prevail, and without the advantage of the experience which is now available. In existing circumstances we are of opinion that the payments made to Associations are much more than is necessary to remunerate them for this work, and that the cost to the Exchequer is altogether disproportionate to any public advantage that may accrue from the system.

16. We recommend, therefore, that steps be taken by the Department to revise the rate of payments to Associations in such a way as to secure that the expenditure under this head will be very greatly and immediately reduced.

We would point out that the cost of the work devolving upon Associations does not increase in direct proportion to the number

of claims paid, and we recommend that the reduced rate of payment should be based on a sliding scale dependent on the rate of unemployment.

We are, Gentlemen,

Your obedient Servants,

ALFRED W. WATSON (*Chairman*).

F. G. BOWERS,

ALFRED HENRY.

WALTER S. KINNEAR.

JAMES LEISHMAN.

F. PHILLIPS.

T. W. PHILLIPS.

J. F. G. PRICE.

D. J. SHACKLETON.

E. J. STROHMENGER

S. P. VIVIAN.

J. M. GLEN, }
A. W. NEVILLE, } *Joint Secretaries.*

24th February, 1922.

INTERDEPARTMENTAL COMMITTEE ON HEALTH AND UNEMPLOYMENT INSURANCE.

SECOND INTERIM REPORT.

To the Rt. Hon. Sir ALFRED MOND, Bart., M.P.,

Minister of Health.

and

The Rt. Hon. T. J. MACNAMARA, LL.D., M.P.,

Minister of Labour.

GENTLEMEN,

1. Among the questions specifically referred to us is that of the possibility of reducing the total cost of administration "by amalgamating Unemployment and Health Insurance Cards." The current Unemployment Books for Unemployment Insurance Contributions and Health Insurance Cards for Health Insurance Contributions both expire at the beginning of next July. Owing to the large supply of cards or books required and the time necessary for distribution, the preparation and printing of the cards or books must be begun at once. Otherwise they will not be in the hands of insured contributors by the time they are needed for stamping. We have, therefore, considered as a matter of urgency whether it is possible to bring a combined card for the two purposes into use as from next July.

2. The question of a combined card cannot be considered in isolation from the other problems of economical and efficient administration. On the contrary, the adoption of a combined card inevitably carries with it the necessity for extensive changes in the machinery of administration. One of our chief tasks is in fact to consider what changes would be required by a combined card, and whether, taken as a whole, they would be likely to result in an economy.

3. The problem is a complicated one and a great many factors have to be taken into account. Certain of the modifications which at present appear to us to be essential for the purpose of enabling a combined card to be adopted could not be made without amending legislation.

4. In these circumstances, we have come to the conclusion that, whatever may be our ultimate recommendation, it is not possible to bring a combined card into use so soon as next July, and we think it desirable to bring this conclusion to your notice without delay.

We are, Gentlemen,

Your obedient Servants,

ALFRED W. WATSON (*Chairman*).

F. G. BOWERS,

ALFRED HENRY.

WALTER S. KINNAR.

JAMES LEISHMAN.

F. PHILLIPS.

T. W. PHILLIPS.

J. F. G. PRICE.

D. J. SHACKLETON.

E. J. STROHMENGER.

S. P. VIVIAN.

J. M. GLEN, }
A. W. NEVILLE, } *Joint Secretaries.*

17th March, 1922.

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